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APR 1967

MEMORANDUM FOR: Chief, Audit Staff

THROUGH : Deputy Director for Science and Technology

SUBJECT : Report of Audit, Office of Special
Projects (OSP)

REFERENCE : [REDACTED] dtd 5 April 1967

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The Audit Staff's reference report recommendations for strengthening contract and financial administration were generally found to be useful procedures for this Office. However, in the main, the recommendations related to conditions which existed in the formative stages of OSP and have been adopted as standard OSP practice and are currently being implemented. OSP's response to the specific items contained in your report are discussed in detail below.

1. Source Selection Documentation. Contract files relating to major programs of OSP fully document and substantiate the judgments and procedures leading to the selection of a specific contractor. This documentation is normally quite exhaustive and thorough and is finalized in a report prepared by a Source Selection Committee which covers such aspects as management, costs, and past performances. However, OSP agrees that some of the research and development contracts are not sufficiently or adequately documented as to source selection. At the beginning of Fiscal Year 1967, this Office initiated steps to remedy this situation, and it is our intent that your recommendations on documentation of source selection be fully implemented on each and every contract.

DD/S&T

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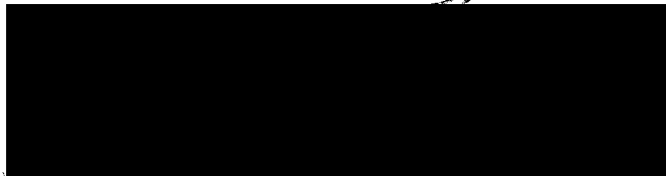
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2. Costs Requiring Technical Monitoring and Interim Cost Audits. The example cited by the referenced audit report was a contract written by CIA (OSA and subsequently transferred to OSP) on behalf of the U. S. Army, Corps of Engineers. The technical direction and monitorship of the contract was vested in the Army. We recognize that this type of situation can lead to the problem cited and have attempted to divorce ourselves of all contracting activities not under this Office's immediate direction. As a matter of information, all OSP contracts with this particular company have been closed out and transferred to the Army. One exception remains, a contract for NFIC; and it is planned that the Office of Logistics will assume responsibility for it on 1 July 1967.

With respect to interim cost audits, we agree that such procedures are necessary and, in fact, have been implemented. With the expansion of the DCAA Staff, resident auditors at our major program contractors are now carrying out this function and will conduct interim audits on smaller contracts when circumstances warrant such action.

3. OSP Central Contract Record. The OSP procedure of each program contracting officer maintaining historical and current data on the contracts for which he is responsible was a temporary measure pending the implementation of Automatic Data Processing. Since the implementation of this latter procedure has been delayed again, action is being taken to consolidate each contract negotiator's records immediately into a master record. However, this is still considered a temporary measure until such time as the ADP procedures are put into effect.



Director of Special Projects

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